



## REPORT TO THE FINANCE COMMITTEE IN TERMS OF SECTION 52d FOR THE QUARTER ENDED 31 DECEMBER 2022

### 1. PURPOSE OF THE REPORT

The purpose of the report is to present the financial status of the municipality in terms of Section 52d of the MFMA for the period ended 31 December 2022 for consideration and submission to Mayoral Committee.

### 2. LEGAL STATUTORY REQUIREMENTS

- Section 52 (d) of the Municipal Finance Management Act, (Act 56 of 2003)
- Section 46 & 75A of the Local Government: Municipal Systems Act (Act 32 of 2000)
- Section 66 of the Municipal Finance Management Act, (Act 56 of 2003)
- Paragraph 6 (SCM regulations)
- Paragraph 36 (SCM regulations)
- National Treasury's MFMA Circular No. 91
- Performance Management Regulations of 2006.

### 3. BACKGROUND AND DISCUSSION

At the end of December 2022 an analysis of budget and actual performance as required by the legislation was performed. The following variances were noted:

### 4. REVENUE BUDGET AND ACTUAL

EC157 King Sabata Dalindyebo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	Budget Year 2022/23										
		2021/22 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD Q1 actual	YearTD Q2 actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>												
<b>Revenue By Source</b>												
Property rates		276 613	298 662	298 662	(1 363)	277 486	(5 888)	271 598	298 662	(27 064)	-9%	298 662
Service charges - electricity revenue		505 595	554 536	554 536	38 832	135 223	118 175	253 399	277 268	(23 870)	-9%	554 536
Service charges - refuse revenue		58 882	50 824	50 824	638	58 657	(4 428)	54 230	50 824	3 405	7%	50 824
Rental of facilities and equipment		18 022	18 575	18 575	1 633	4 983	5 375	10 358	9 288	1 070	12%	18 575
Interest earned - external investments		1 063	1 302	1 302	508	568	1 153	1 721	651	1 070	164%	1 302
Interest earned - outstanding debtors		37 895	20 662	20 662	5 695	13 650	15 704	29 354	10 331	19 023	184%	20 662
Fines, penalties and forfeits		5 068	7 778	7 778	441	1 232	1 438	2 670	3 889	(1 219)	-31%	7 778
Licences and permits		987	1 272	1 272	44	372	146	518	636	(119)	-19%	1 272
Agency services		12 789	12 116	12 116	1 017	3 119	3 266	6 385	6 058	327	5%	12 116
Transfers and subsidies - Operational		383 774	425 596	425 596	137 182	167 121	140 663	307 785	301 703	6 081	2%	425 596
Transfers and subsidies - capital		123 925	229 801	302 673	7 105	28 864	26 146	55 010	151 336	(96 326)	-64%	302 673
Other revenue		49 658	32 754	32 754	333	11 918	3 699	15 617	16 377	(760)	-5%	32 754
Gains		85 990	564	564	-	-	-	-	282	(282)	-100%	564
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 560 280</b>	<b>1 654 442</b>	<b>1 727 314</b>	<b>192 062</b>	<b>703 194</b>	<b>305 450</b>	<b>1 008 644</b>	<b>1 127 306</b>	<b>(118 661)</b>	<b>-11%</b>	<b>1 727 314</b>

## 4.1. COMMENTS ON MATERIAL VARIANCES

4.1.1. Property Rates reflects a shortfall of twenty-seven million and sixty-four thousand (R27 million).

The total billed income for rates and fire brigade amounting to two hundred and ninety-five million (R295 million), one hundred and seventy-one million (R171 million) has been collected representing 58% of total billed income. Of the two hundred and ninety-five million billed an amount of seven million relates to fire brigade fees.

4.1.1. Electricity Sales show a shortfall of twenty-three million (R23 m).

Other factors that might reduced the electricity revenue below expected levels are:

- Possible theft of electricity through foreign meters, meter bypasses and tempering and illegal connections
- Lower usage in summer season
- Eskom Loadshedding.

Of the total billed income for electricity amounting to one hundred and sixty million (R160 m) excluding prepaid electricity amounting to ninety six million (R96 m), an amount of two hundred and five million (R205 million) has been collected representing 128% of the total billed income. This is an indication that more debtors were collected during the period under review and including previous year's debts.

4.1.2. Refuse removal shows a surplus of three million (R3 m).

Of the total billed income for refuse removal amounting to fifty-four million (R54 m), an amount of twenty million (R20 million) has been collected representing 38% of the total billed income.

There is improvement on the revenue billing.

4.1.3. Rental of facilities and equipment shows a surplus of one million.

Of the total billed income for rental amounting to nine million, an amount of four million nine hundred (R 4.9 m) has been collected representing 51% of total billed income.

- Ngangelizwe rentals debt must be collected through the debt collector for all the non-paying customers. Transfers are occurring from rental stock to full ownership. To date 1432 Houses have been transferred.
- KSDM is faced with a crisis of limited office space for its personnel. This has resulted in the municipality looking at various options to address the crisis. The Munitata vacant shops have been allocated for office space and currently stand empty:-
- Former Four Seasons retail space
- Former Wimpy
- Former Tutu's travel.
- Freedom square office
- Former gift shop / studio
- All rental stock debts must be collected through the debt collector for all the non-paying customers.

4.1.4. Licence and permits show a shortfall of R0.119 million.

Collections needs to be improved

4.1.5. Interest on external investment reflects a surplus of one million seventy thousand. (R1.07 million)

- 4.1.6. Interest on outstanding debtors reflects a surplus of nineteen million (R19 m). This is due to decreases in collection levels of arrear debt. Collection levels needs to be improved.
- 4.1.7. Fine, penalties and forfeits reflect a shortfall of one million (R1 m). Attempts should be made to improve collection including implementation of the traffic fines management by TRUVERO.
- 4.1.8. Agency Services- Reflects a shortfall of three million (R3 million) This relates to these services
- Motor Vehicle registration Centre
  - Motor Vehicle Testing Centre and
  - Drivers Licence Testing Centre
- Attempts should be made to improve revenue collection.

4.1.8.1. Other Revenue shows a shortfall of seven hundred and sixty thousand (R760 000).

4.1.9. Grants and subsidies

4.1.9.1. Operational grants show a surplus of six million (R6 m).

LEDGER DESCRIPTION	TOTAL BUDGET	YTD Budget	TOTAL ACTUAL	VARIANCE	VAR %
Grant Income - SETA	0,00	0,00	-397 108,01	397 108,01	100%
VAT component: Operational Grants	0,00	0,00	-8 431,50	8 431,50	100%
Grant - Prov: Equitable Share	-404 115 000,00	-290 963 000,00	-290 963 000,00	0,00	0%
Grant - State: Financial Manag	-2 850 000,00	-1 425 000,00	-2 076 680,49	651 680,49	-46%
Donations received	0,00	0,00	-3 231 881,81	3 231 881,81	100%
Grant income - Library	0,00	0,00	-885 055,45	885 055,45	100%
Grant income- Electricity demand side management	-4 000 000,00	-2 000 000,00	-3 672,00	-1 996 328,00	100%
Grant Income - Expanded Public Works (EPWP)	-1 844 040,00	-922 020,00	-4 424 029,56	3 502 009,56	-380%
EPWP - Grant Income	-754 380,00	-377 190,00	0,00	-377 190,00	100%
Grant Income - Expanded Public Works (EPWP)	-1 592 580,00	-796 290,00	-1 542 210,80	745 920,80	-94%
Grant Income - Infrastructure	-5 500 000,00	-2 750 000,00	-2 399 241,17	-350 758,83	13%
Grant - Prov: MIG	-4 939 550,00	-2 469 775,00	-1 853 225,02	-616 549,98	25%
	<b>-425 595 550,00</b>	<b>-301 703 275,00</b>	<b>-307 784 535,81</b>	<b>6 081 260,81</b>	<b>-2%</b>

- EPWP budget is overspent by R3.5 million this has to be limited to grant received and excess be provided for out of own budget.
- FMG – overspent by R0.651 million
- Income on Library grant is still to be recognised, the allocation has been fully utilised. This will result in a shortfall as the grant is less that the Library operating budget.
- Infrastructure Skills Development grant underspent by R0.350 million
- SETA grant was not budgeted for, this will be provided for in the adjustment budget. **Budget will be adjusted up.**
- Donations received was not budgtd for , this will be provided for in the adjustment budget. **Adjustment up is recommended.**

4.1.9.2. Capital Grants show a shortfall of ninety-six million indicating underperformance on capital grants as follows.

ITEM DESCRIPTION	TOTAL BUDGET	YTD BUDGET	TOTAL ACTUAL	VARIANCE	VAR %
National Small Business Council	-11 700 000,00	-5 850 000,00	0,00	-5 850 000,00	100%
Human settlement	-174 926 105,00	-87 463 052,50	-6 035 489,86	-81 427 562,64	93%
Municipal Infrastructure Grant	-93 851 450,00	-46 925 725,00	-43 009 631,54	-3 916 093,46	8%
Small town revitalisation	-19 000 000,00	-9 500 000,00	-5 965 159,78	-3 534 840,22	37%
Integrated National Electrification Programme Grant	-3 195 000,00	-1 597 500,00	0,00	-1 597 500,00	100%
	<b>-302 672 555,00</b>	<b>-151 336 277,50</b>	<b>-55 010 281,18</b>	<b>-96 325 996,32</b>	<b>64%</b>

- Human Settlement is underspent by R 79 million. The reasoning behind the underspending on Human Settlements is due to that two housing projects (New Brighton 131 and Kei Rail 537) that were earmarked for implementation this financial year are still held up with the non- resolution of Land Claims. The two projects combined have a combined budget of R60 million. The other underspending has been experienced on the Maydene Farm Housing Project due to that the increase on the quantum subsidy was only approved on the 30<sup>th</sup> September 2022 and funding was only transferred to the Municipality by the end of October 2022 from the Department of Human Settlements. The contractor was out of site for a period of six months and had to re-establish on site.
- The spending on MIG on average year to date budget is in line with budget.
- Small Town Revitalisation grant on average year to date budget has been spent.

## 5. OPERATING EXPENDITURE REPORT

EC157 King Sabata Dalindyebo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	Budget Year 2022/23										
		2021/22 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD Q1 actual	YearTD Q2 actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>												
<b>Expenditure By Type</b>												
Employee related costs		541 016	556 029	556 029	45 292	135 267	138 897	274 163	278 014	(3 851)	-1%	556 043
Remuneration of councillors		28 613	34 079	34 079	2 822	7 857	7 683	15 540	17 040	(1 500)	-9%	34 079
Debt impairment		19 888	15 000	15 000	59	103	3 621	3 724	7 500	(3 776)	-50%	15 000
Depreciation & asset impairment		160 799	158 272	158 272	38 777	40 525	38 777	79 302	79 136	166	0%	158 272
Finance charges		18 912	6 553	6 553	4 370	4 819	6 043	10 862	3 277	7 586	232%	6 553
Bulk purchases - electricity		387 729	452 820	452 820	16 413	136 588	68 591	205 180	226 410	(21 230)	-9%	452 820
Inventory consumed		30 406	20 509	20 705	2 494	8 139	5 756	13 895	10 352	3 542	34%	20 505
Contracted services		85 981	44 801	46 405	5 557	20 057	16 350	36 407	23 203	13 204	57%	46 420
Transfers and subsidies		37 698	500	480	20	21	20	41	240	(199)	-83%	480
Other expenditure		188 008	125 003	123 223	21 834	31 563	49 599	81 162	61 612	19 550	32%	123 394
Losses		(27)	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>1 499 022</b>	<b>1 413 567</b>	<b>1 413 567</b>	<b>137 837</b>	<b>384 939</b>	<b>335 337</b>	<b>720 276</b>	<b>706 783</b>	<b>13 492</b>	<b>2%</b>	<b>1 413 567</b>

## 5.1. COMMENTS ON MATERIAL EXPENDITURE VARIANCES

The following significant variances were noted.

- 5.1.1. Employee related costs and remuneration of councillors reflect savings three million eight hundred (R 3.8 m), and savings of one million five hundred thousand (R1.5 m) respectively. For a detailed report refer to S66 report below.
- 5.1.2. Bulk purchases underspending of twenty-one million (R21 m). This might be due to the decreased demand in summer months and impact of load .
- 5.1.3. Debt impairment shows a savings of three million seven hundred thousand (R3.7 m). This will be dealt with at the end of the financial year.
- 5.1.4. Finance charges overspent by seven million five hundred thousand (R7.5 m) mainly due to interest on overdue account.
- 5.1.5. Inventory consumed overspent by three million five hundred thousand (R3.5 m).

LEDGER DESCRIPTION	TYPE	ITEM LONG DESCRIPTION	TOTAL ACTUAL	TOTAL BUDGET	YTD BUDGET	VARIANCE
Roads, Str Repair / Resealing	IE	Expenditure:Inventory Con	8,858,800.00	12,566,632.00	6,283,316.00	-2,575,484.00
Plastic Bags	IE	Expenditure:Inventory Con	1,144,000.00	3,000,000.00	1,500,000.00	356,000.00
Material Stores-Meters	IE	Expenditure:Inventory Con	2,571,375.00	1,400,000.00	700,000.00	-1,871,375.00

### 5.1.6. Contracted services overspent by thirteen million (R13 m).

Legal Fees	IE	Expenditure:Contracted Se	9,121,804.07	295,339.00	147,669.50	-8,974,134.57
Agency Payments- Security Serv	IE	Expenditure:Contracted Se	5,511,529.01	0.00	-	-5,511,529.01
Electr Infrastr, Mains Cable	IE	Expenditure:Contracted Se	5,410,907.58	2,953,159.00	1,476,579.50	-3,934,328.08
Debtors Database Cleansing	IE	Expenditure:Contracted Se	2,123,524.83	0.00	0.00	-2,123,524.83
FMG Grant expe. - Audit Action Pla	IE	Expenditure:Contracted Se	1,154,575.69	0.00	0.00	-1,154,575.69
Contour Prepayment System	IE	Expenditure:Contracted Se	1,636,363.80	1,500,000.00	750,000.00	-886,363.80
Community Cleaning Project	IE	Expenditure:Contracted Se	1,175,520.27	750,000.00	375,000.00	-800,520.27
Traffic Lights	IE	Expenditure:Contracted Se	1,756,989.43	1,992,536.00	996,268.00	-760,721.43
Collection of arrear debt	IE	Expenditure:Contracted Se	1,941,950.23	2,400,000.00	1,200,000.00	-741,950.23
Confrences Seminars	IE	Expenditure:Contracted Se	862,500.00	500,000.00	250,000.00	-612,500.00
Confrences Seminars	IE	Expenditure:Contracted Se	0.00	1,000,000.00	500,000.00	500,000.00
Rural Roads Maintenance	IE	Expenditure:Contracted Se	220,985.00	1,959,995.00	979,997.50	-759,012.50
Buildings Installation	IE	Expenditure:Contracted Se	129,080.17	2,622,215.00	1,311,107.50	-1,182,027.33
Electricity Demand Side - Consulta	IE	Expenditure:Contracted Se	0.00	3,880,000.00	1,940,000.00	-1,940,000.00
Roads, Str Repair / Resealing	IE	Expenditure:Contracted Se	0.00	3,928,878.00	1,964,439.00	-1,964,439.00

5.1.7. Other expenditure overspent by nineteen million (R19 m).

LEDGER DESCRIPTION	TOTAL ACTUAL	TOTAL BUDGET	YTD BUDGE	VARIANCE
Electr Infrastr, Mains Cable	15,642,664.86	2,141,742.00	1,070,871.00	14,571,793.86
Levy - SALGA Membership	6,138,460.00	150,000.00	75,000.00	6,063,460.00
Council ward committee meeting incenti	5,300,000.00	1,110,000.00	555,000.00	4,745,000.00
Audit Fee - External	9,526,922.79	9,746,400.00	4,873,200.00	4,653,722.79
Depreciation-Other Assets	10,676,890.79	12,662,628.00	6,331,314.00	4,345,576.79
Municipal Service Charges	3,178,772.41	100,000.00	50,000.00	3,128,772.41
Fuel Oil	4,002,937.40	2,488,222.00	1,244,111.00	2,758,826.40
Depreciation-Other Assets	10,683,786.80	18,275,863.00	9,137,931.50	1,545,855.30
Indigent Subsidy	1,267,852.66	0.00	-	1,267,852.66
Vehicles, Machinery Plant	5,932,361.90	10,340,881.00	5,170,440.50	761,921.40
Subsistence Travelling	585,144.00	9,105.00	4,552.50	580,591.50
Post Telecommunications	1,939,965.86	2,720,000.00	1,360,000.00	579,965.86
Fuel Oil	1,153,230.80	1,163,263.00	581,631.50	571,599.30
Subsistence Travelling	528,453.36	3,774.00	1,887.00	526,566.36
Printing Stationery	0.00	1,014,000.00	507,000.00	507,000.00
Training - External	79,517.27	1,330,000.00	665,000.00	585,482.73
VEHICLE REGISTRATION	150,883.05	1,500,000.00	750,000.00	599,116.95
Depreciation-Other Assets	66,491.00	1,362,048.00	681,024.00	614,533.00
Depreciation-Other Assets	2,035,788.88	5,313,858.00	2,656,929.00	621,140.12
Vehicles, Machinery Plant	0.00	1,415,552.00	707,776.00	707,776.00
Rural Roads Maintenance	0.00	1,524,440.00	762,220.00	762,220.00
LED-Oceans Economy	0.00	1,722,000.00	861,000.00	861,000.00
Roads, Str Repair / Resealing	0.00	1,959,995.00	979,997.50	979,997.50
Material Stores - General	0.00	2,015,000.00	1,007,500.00	1,007,500.00
Insurance	14,605.80	2,050,000.00	1,025,000.00	1,010,394.20
Depreciation-Other Assets	0.00	2,666,173.00	1,333,086.50	1,333,086.50
Rural Roads Maintenance	0.00	2,722,215.00	1,361,107.50	1,361,107.50
Depreciation-Other Assets	0.00	4,144,851.00	2,072,425.50	2,072,425.50
Levy - Skills Development SETA	320,499.44	5,548,643.00	2,774,321.50	2,453,822.06
Depreciation-Other Assets	0.00	6,843,359.00	3,421,679.50	3,421,679.50
Depreciation - Buildings	0.00	8,671,022.00	4,335,511.00	4,335,511.00
Hire Charges - Transport Extnl	3,710,520.28	17,670,389.00	8,835,194.50	5,124,674.22

## 5.2. CAPITAL EXPENDITURE

- ❖ **MIG** -The spending was at 100% at the end of the second quarter on YTD budget.
- ❖ **Electricity Projects** – these projects are funded by municipal funds spending sitting at two million end second quarter.
- ❖ **Human Settlement Projects**- The spending was at 10% at the end of the second quarter.

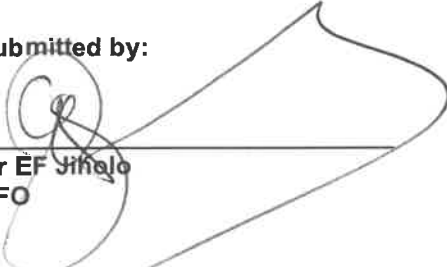
The reasoning behind the underspending on Human Settlements is due to that two housing projects (New Brighton 131 and Kei Rail 537) that were earmarked for implementation this financial year are still held up with the non- resolution of Land Claims. The two projects combined have a combined budget of R60 million. The other underspending has been experienced on the Maydene Farm Housing Project due to that the increase on the quantum subsidy was only approved on the 30<sup>th</sup> September 2022 and funding was only transferred to the Municipality by the end of October 2022 from the Department of Human Settlements. The contractor was out of site for a period of six months and had to re-establish on site.

## 6. RECOMMENDATIONS

It is recommended that the Finance Committee considers and submits to Mayoral Committee the report in terms of:

- Section 52d reports for the quarter ended 31 December 2022.
- Section 66 report for 31 December 2022.
- Paragraph 6 (SCM regulations) report for 31 December 2022.
- Paragraph 36 (SCM regulations) report for 31 December 2022.


Submitted by:



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Mr EF Jiralo  
CFO

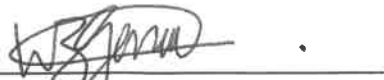
Reviewed by:



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Mr N Pakade  
Municipal Manager

Endorsed by:



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Cllr Z Gana  
MMC - BTO